PX 464

From:	Asheesh Birla <░░░░░@ripple.com>
To:	░░░░@ripple.com
Sent:	6/26/2016 8:44:32 PM
Subject:	Re: XRP rules everything around me

Good email!

On Sunday, June 26, 2016, Patrick Griffin <░░░░@ripple.com> wrote:
Team,

My end-of-week leadership note is designed to restate the role of XRP in our company strategy and the projects currently underway to build liquidity for XRP. Buckle up, this is a long one!

Let's start with the ***Ripple Liquidity Service***. Admittedly, the 'RLS' is an early stage product, but I would describe the Ripple Consensus Ledger and its ecosystem of local currency gateways as its precursor. As we make headway, we will migrate to a more institutional exchange with banks holding local currency deposits for trading firms to buy/sell with each other.

Long term, we want payment volume, vs speculation, to drive more competitive rates in RLS. Payment flows are bigger and more reliable. Currently, we face three realities:

- We have more speculative demand for crypto-currencies than payment volume;
- Speculative volume is still low relative to other crypto-exchanges; and
- Therefore, rates are not yet competitive on Ripple

Before there is volume, new exchanges solve for cheap rates by paying cash rebates to traders. We are refining ways to do the same thing with XRP through various manual and programmatic incentives. Today, we have contractual agreements with market making firms enforced by XRP payments. In the near term, we are targeting market-maker firepower on crypto-currency pairs to attract more speculative volume.

On a separate note, there have been questions about the four licensed gateways we are supporting. We have to improve access to XRP to encourage liquidity. It's fine to consider this stop-gap until RLS is farther along. We are also working with exchanges like Bitstamp to list XRP to provide for even easier buying/selling.

This brings us to ***Ripple Connect***. We are using Ripple Connect to build interbank networks on top of the ILP. Removing costs associated with nostro accounts is a primary selling point. Regional banks are signing up with us because, via ILP, they will be able to route payments through RLS without needing funded nostro accounts. RLS rates are compelling because of XRP rebates.

Similarly, GPSG banks are also focused on reducing nostro account overhead with:

- Multihop transfers with fewer collateral accounts (for another email)
- Routing longtail payments through RLS
- Eliminating nostro accounts through real-time XRP transfers

While interbank XRP transfers may seem far off, we are taking steps to position XRP as the preferred institutional settlement asset. In partnership with ░░ ░░░░░░ will allow 14 banks to send payments to each other without requiring nostro accounts by buying/selling of XRP against local currency. Concurrently, we will be releasing an XRP futures contract in July with Crypto Facilities to allow banks to hedge XRP volatility. All of this on the back of our recent BitLicense announcement.

XRP provides value by driving down institutional settlement costs. The demand needed to offset supply pressure from rebate payments will come from the realization of this use case.

Last but not least we have *ILP*. In a future state of our company, routing transactions through a complex ILP web could be a lucrative and defendable business. ILP will take advantage of the cheaper liquidity we are buying with XRP to attract developers and businesses.

Of course, I haven't even touched on the rippled team's exciting release schedule. Every release is a public testament to our company's commitment to the XRP root ledger.

We have some fantastic XRP-related announcements coming out over the next few weeks. Hopefully this note will help connect the dots.

I'm open to questions or comments via email. Please do not hesitate to reach out.

Patrick

--
Patrick Griffin
EVP Business Development | Ripple
▓▓▓▓▓▓▓ ripple.com